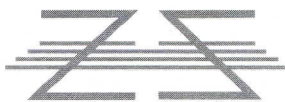


**DURHAM PERFORMING ARTS L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**DURHAM PERFORMING ARTS, L.L.C.**  
**d//b/a DURHAM PERFORMING ARTS CENTER**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

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# **Zwick & Banyai, PLLC**

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## **Independent Accountant's Audit Report**

Board of Directors  
Durham Performing Arts Center, L.L.C.  
d/b/a Durham Performing Arts Center

We have audited the accompanying balance sheets of Durham Performing Arts, L.L.C. d/b/a Durham Performing Arts Center, as of June 30, 2015 and 2014, and the related statements of income, members' equity, and cash flows for the fiscal years then ended, and the related footnotes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Durham Performing Arts, L.L.C. d/b/a Durham Performing Arts Center as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Southfield, Michigan  
October 26, 2015

*Zwick & Banyai, PLLC*

**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**BALANCE SHEETS**  
**JUNE 30, 2015 AND 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 14,238,957	\$ 11,408,099
Stage show investment	-	55,000
Accounts receivable - trade	706,538	295,295
Accounts receivable - related party	154,619	157,431
Prepaid expenses and other	<u>328,119</u>	<u>282,016</u>
 Total assets	 <u><u>\$ 15,428,233</u></u>	 <u><u>\$ 12,197,841</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable - trade	\$ 316,147	286,674
Accounts payable - related party	1,959,082	1,864,745
Accrued liabilities	532,066	900,412
Deferred revenue	<u>8,903,788</u>	<u>6,808,764</u>
 Total liabilities	 <u>11,711,083</u>	 <u>9,860,595</u>
 Members' equity	 <u>3,717,150</u>	 <u>2,337,246</u>
 Total liabilities and members' equity	 <u><u>\$ 15,428,233</u></u>	 <u><u>\$ 12,197,841</u></u>



**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**STATEMENTS OF INCOME**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Show income	\$ 24,711,382	\$ 19,842,730
Concession income	608,248	486,525
Facility fee income	635,205	531,159
Handling fee income	1,575,333	1,198,690
Miscellaneous income	<u>1,488,373</u>	<u>1,317,225</u>
	29,018,541	23,376,329
Show expenses	<u>20,650,429</u>	<u>16,790,813</u>
Gross profit	8,368,112	6,585,516
General and administrative expenses		
Administrative	1,695,157	1,464,161
Theatre operations	841,022	818,691
Box office	<u>485,033</u>	<u>445,933</u>
Total general and administrative expenses	<u>3,021,212</u>	<u>2,728,785</u>
Income from operations	5,346,900	3,856,731
Other income		
Interest income	<u>12,037</u>	<u>38,679</u>
Net income before City of Durham profit share	5,358,937	3,895,410
City of Durham profit share	<u>1,641,787</u>	<u>1,558,164</u>
Net income	<u><u>\$ 3,717,150</u></u>	<u><u>\$ 2,337,246</u></u>

See notes to financial statements

**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**STATEMENTS OF MEMBERS' EQUITY**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Balance, beginning of fiscal year	\$ 2,337,246	\$ 1,985,061
Net income for the year	3,717,150	2,337,246
Distribution to members	<u>(2,337,246)</u>	<u>(1,985,061)</u>
Balance, end of fiscal year	<u><u>\$ 3,717,150</u></u>	<u><u>\$ 2,337,246</u></u>

See notes to financial statements

**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net income	\$ 3,717,150	\$ 2,337,246
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stage Show Income	(22,851)	-
Changes in assets and liabilities:		
Accounts receivable - trade	(411,243)	238,358
Accounts receivable - related parties	2,812	(79,815)
Prepaid expenses and other	(46,103)	(58,814)
Accounts payable - trade	29,473	(1,377,667)
Accounts payable - related party	94,337	1,568,513
Accrued liabilities	(368,346)	796,929
Deferred revenue	2,095,024	685,913
Total adjustments	1,373,103	1,773,417
Net cash provided by operating activities	5,090,253	4,110,663
Cash flows from investing activities:		
Stage show investment	-	(55,000)
Stage show distribution received	77,851	-
Net cash provided by (used in) investing activities	77,851	(55,000)
Cash flows from financing activities:		
Distributions to members	(2,337,246)	(1,985,061)
Net cash used in financing activities	(2,337,246)	(1,985,061)
Net increase in cash and cash equivalents	2,830,858	2,070,602
Cash and cash equivalents, beginning of fiscal year	11,408,099	9,337,497
Cash and cash equivalents, end of fiscal year	\$ 14,238,957	\$ 11,408,099
Cash paid for interest during the year	\$ -	\$ -
Cash paid for income taxes during the year	\$ -	\$ -

See notes to financial statements



**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**1. Summary of significant accounting policies:**

A summary of the Durham Performing Arts, L.L.C. d/b/a Durham Performing Arts Center (the "Company") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**Business activity:**

The Company is a Delaware Limited Liability Company formed in January, 2007 and has a perpetual life. The Company was formed to operate an entertainment facility for theatre attractions in Durham, North Carolina.

The Company originally entered into a contract with the City of Durham in January, 2007 regarding the construction and investment in the theatre. The agreement grants the City of Durham certain provisions as seen in Note 6. This agreement presently has a life term of 5 years, and can be automatically extended an additional 5 years by the Company pursuant to its rights under the agreement.

In July 2013, the Company entered into an amended and restated agreement with the City. This agreement has a term life of 10 years, and can be extended an additional 7 years, followed by 3 additional 5 year extensions at the option of the Company pursuant to its rights under the agreement.

**Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Cash and cash equivalents:**

For purposes of reporting cash flows, cash and cash equivalents consist of highly liquid investments with original maturities of three months or less, with the carrying amount approximating fair value.

During the fiscal years ended June 30, 2015 and 2014 the Company had cash deposits in excess of Federal Depository Insurance Corporation limits; however, the Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk.



**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**1. Summary of significant accounting policies, continued:**

**Receivables:**

Accounts receivable consists primarily of amounts due from shows and other reimbursable costs. The Company considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Prepaid and deferred subscription costs:**

Prepaid and deferred subscription costs consist of advertising and other costs related to the sale of subscriptions for forthcoming shows. These costs are charged to expense as the shows run.

**Show income:**

Show income represents the revenue from shows performed at the theatre and is reported on the statement of income as show income. Revenues are recognized upon the performance of the shows.

**Concession income:**

Concession income consists of commissions received from a third party vendor who operates the food and beverage service during show performances.

**Facility fee income:**

Facility fee income is the Company's share of a surcharge that is added to every ticket that is sold during the year. Revenues are recognized upon the performance of the shows. The amount of the facility fee income for the fiscal years ended June 30, 2015 and 2014 was \$635,205 and \$531,159, respectively.

**Handling fee income:**

Handling fee income consists of fees received for processing tickets.

**Income taxes:**

The Company is recognized as a partnership under the Internal Revenue Code. Accordingly, no federal or state income tax is imposed as the members include their respective shares of taxable income and deductions on their individual income tax returns. Therefore, the Company has made no provision for income taxes.

The management believes that the Company is no longer subject to tax examinations for years prior to 2011. The Company files the partnership tax returns on a calendar year basis.

**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**1. Summary of significant accounting policies, continued:**

**Advertising Expense:**

Advertising expense, net of recoveries through cost reimbursements, is included in show expenses. The Company initially capitalizes and then expenses advertising costs as the related shows are performed. The advertising costs are largely recovered as cost reimbursements in accordance with the show agreements with the producers. Gross advertising expense amounted to \$1,521,657 and \$1,240,820 for the fiscal years ended June 30, 2015 and 2014, respectively. Total advertising costs included in prepaid expenses as of June 30, 2015 and 2014 was \$328,119 and \$282,016, respectively.

**2. Related party transactions:**

Amounts due to and from affiliates represent advances between the Company and other entities controlled by one or more of the members or the City of Durham. The accounts are non-interest bearing and due on demand. The amounts receivable from the City of Durham on June 30, 2015 and June 30, 2014 represent repair and maintenance costs in excess of \$43,264 and \$41,600, respectively due Durham Performing Arts, LLC, as per the operating agreement, reimbursements due for the city naming rights sponsor tickets for the subsequent season, and capital improvement commitments billed for the subsequent season. The amounts payable on June 30, 2015 and 2014 represent a centralized service fee, a management fee, and the City of Durham profit share as set forth in the operating agreement with the City of Durham.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Accounts receivable - related:		
City of Durham	<u>\$ 154,619</u>	<u>\$ 157,431</u>
Accounts payable - related:		
Centralized Services Fee	\$ 159,135	\$ 154,500
Management Fee	158,160	152,081
City of Durham Profit Share	<u>1,641,787</u>	<u>1,558,164</u>
Total accounts payable - related	<u>\$ 1,959,082</u>	<u>\$ 1,864,745</u>



**DURHAM PERFORMING ARTS, L.L.C.**  
**d/b/a DURHAM PERFORMING ARTS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**3. Miscellaneous Income:**

Miscellaneous income consists of the following amounts:

	Year ended June 30, 2015	Year ended June 30, 2014
Sponsorships	\$ 555,278	\$ 468,312
President's Club	515,715	443,292
Novelties	88,248	86,998
Program Books	81,775	95,409
Building Rental	247,347	223,134
Miscellaneous	10	80
	<hr/>	<hr/>
Total miscellaneous income	\$ 1,488,373	\$ 1,317,225

**4. Management fee:**

An annual management fee is paid to the Company owners, who are also the operators of Durham Performing Arts Center as defined in the operating agreement. The fee is \$152,081 annually increasing by the greater of 4% or the increase in the CPI index over the CPI index from the previous year for each year of operation. The management fee totaled \$158,160 and \$152,081 for the fiscal years ended June 30, 2015 and 2014, respectively.

Additionally, there is a centralized service fee paid to the Company owners per the operating agreement, which totaled approximately \$159,135 and \$154,500 for the fiscal years ended June 30, 2015 and 2014, respectively. This fee was capped at \$150,000 for the fiscal year ended June 30, 2013 and can increase by no more than 3% annually.

**5. Profit share:**

Pursuant to the updated operating agreement, the Company is obligated to distribute 40% of its net profit to the City of Durham as a return on the City's investment in the theatre for the year ended June 30, 2014 and an amount based on various percentages for the year ended June 30, 2015 as defined in the operating agreement. The profit share amounted to \$1,641,787 and \$1,558,164 for the fiscal years ended June 30, 2015 and 2014, respectively.

**6. Subsequent events:**

For the fiscal year ended June 30, 2015, the Company's Management has reviewed its operations through October 26, 2015 the date the financial statements were available to be issued, for any events or transactions subsequent to June 30, 2015 that may require recognition or disclosure in the financial statements. Management concluded that there are no events or transactions that require disclosure.